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## INCENTIVE AND OUTPUT: A STATEMENT OF THE PLACE OF THE PERSONNEL MANAGER IN MODERN INDUSTRY<sup>1</sup>

### I

*The work of the personnel manager may be seen in perspective by viewing him as one of the entrepreneur's lieutenants in the task of "getting men to work together." This task is, of course, performed in terms of the whole structure of our specialized industrial society.*

The Great War brought it sharply to our attention that "men work together." In the war, all society worked at one definite, almost visible, task. In performing that task we soon found that modern war is no story of quickly prepared armies leaping from spring-boards to occasional battles. It involves welding together to accomplish an objective, all the people and all the forces of the nation concerned; its men, women, and children, its transportation, its mining, its forestry, its agriculture, its manufacture, its schools, its churches—everybody and everything. In time of war, men must work together.

<sup>1</sup>An address delivered before the Convention of the Industrial Relations Association of America, at Chicago, May 19, 1920.

But it is equally true that men must work together in time of peace. True, the objectives of peace are not so simple and tangible as those of war, and accordingly our co-operation is not so evident. The organization of our productive resources for the gratification of human wants is a much more vague and many-sided process than their organization for the slaughter of human beings. Partly because of this vagueness of peace-time objectives, we often fail to see clearly that the methods used to attain these objectives are similar to those used to attain the objectives of war. Men are brought to work together.

If we lift our eyes from the labyrinth-like organization of present-day productive forces and look back through the centuries, we get a sense of perspective on our problems of incentive and output.

Men worked together quite simply in the shop of the medieval craftsman. To begin with, it was tool industry, and the simple technological processes involved were readily mastered. Anyone of average intelligence could, so far as the technology was concerned, become a competent workman and later rise to the direction of industry. Then, too, production was on a very small scale, being conducted by the craftsman in his home with, perhaps, two or three helpers, who might well live in the home of the master. The relationships between the craftsman and his helpers were frequently almost as personal as the modern relationships between father and son. Thus, both the character of the processes, the scale of the operations, and the human relationships made it a simple matter for men to work together in the medieval shop.

If the organization within the shop was simple, so also was the co-ordination of the shop with the rest of society. The market for which the shop produced was typically local and personal. Sometimes the customer came to the shop and goods were made according to personal desires; sometimes the craftsman carried his goods to the little town market and sold them to his neighbors; seldom was the relationship between producer and consumer an impersonal one; seldom were there intermediaries who had to be knitted into an economic organization.

Simple also was the social supervision of industrial activity. Social attitudes, church requirements, and governmental regulations were fixed largely by custom. Men absorbed this customary control in the very air they breathed. They did not have to study it. It became a part of them without their being conscious of it. We must not deceive ourselves concerning the implications of this simplicity. Life was meager, narrow, and mean. None of us would wish a return to such a life. We have examined it merely to see how simply and in what a personal way men worked together.

Into this primitive industrial society there gradually crept forces making quietly but radically for change. The compass, gunpowder, the printing press, explorations and discoveries, colonization, the religious reformation, the new birth of art, literature, and science, the growth of individualism, the rise of strong central governments—these are some of the outstanding forces which freed men's minds from customary control, developed the gain spirit, widened the market, increased specialization, and paved the way for more complex forms of working together. Generation after generation the change continued, and finally there came in the eighteenth century that great explosion which we now call the Industrial Revolution. It blew to fragments the simple, personal co-operation of the past. This statement of fact is also a statement of the problem which confronts us today. The simple direct ways of working together have been blown to fragments. Can any of the fragments be restored? What new ways of working together can be devised which will be more in keeping with our modern complex, specialized, impersonal, interdependent, gain-organized society?

Fundamentally, the problem of working together today is one of knitting together the specialists and specialized institutions of modern society. In the interests of increased productive capacity we have specialized our capital, our technological processes, our workers, our knowledge, our management, our producing territories—everything. In the case of the workers, this has meant that the *non-specialized worker* of earlier ages has become the worker in a single *trade* or *occupation*, as, for example,

the lawyer, the physician, or the all-round mechanic; and these, in their turn, have been split up into workers who concern themselves with only one *process* of a trade or occupation, as, for example, the diagnostician, or the ordinary machinist; and these process specialists have, in their turn (provided the market has been wide enough to make it profitable), been split up into workers in *detailed operations*, such as the modern narrow machine specialist. Now, these thousands upon thousands of specialists must be knitted together into a great producing mechanism, if society is to gratify its wants and secure all those intangibles making for human progress. So also must the specialized capital, knowledge, and management be knitted together.

All this is easily seen in the case of the operations within a plant. A child can see that the specialized workers, capital, and processes within a shoe factory must be organized into a producing mechanism before shoes can be made. A child can visualize some of the tasks of the manager and his lieutenants in this connection. It is not so easy, however, to visualize the knitting together of the thousands of specialized *plants* and *institutions* of our society into a great, producing machine which takes in all society. As one method of visualizing this process, notice a few of the specialized plants which must be lined up to provide us with shoes. Beginning with the ranch (and not going back to the specialists who have provided the ranch with equipment), we can mention at once the packing house, the tannery, the leather merchants, the shoe factory, the wholesaler, and the retailer. Here is a range of specialized institutions lined up to accomplish one task. But some of the specialists in this range, for example the packing house and the tannery, are participating simultaneously in dozens of other ranges designed to accomplish dozens of other tasks. Modern industrial society is therefore a bewildering complex, a literal maze of criss-crossing, interacting ranges of specialized plants, filled with specialized workers, machines, and processes, reaching out to accomplish thousands of purposes. And this is but the beginning. All these ranges are criss-crossed and served by still other ranges of specialized functional middlemen like carriers, bankers, insur-

ance companies, or advertising agencies. All must, through social control and through the market, be welded into a balanced, want-gratifying machine, and woe is all society if the welding is seriously defective!

In this there is nothing new. It is set forth merely to recall to our minds the conditions under which the modern manager and such lieutenants as the personnel manager, the sales manager, and the purchasing agent do their work. Whether wisely or unwisely it matters little for the present discussion, society in its desire for product has intrusted the task of organizing for production to the entrepreneur, who may or may not be his own general manager, and the work of any of his lieutenants, as for example, the personnel manager, can be seen in true perspective only when this fact has been realized. The modern entrepreneur is no medieval craftsman applying simple technology; he demands aid from the best specialists our modern universities and schools of technology can provide. He is no small scale producer; his plant is so large that it is difficult to maintain much personal touch with the workers—so complex that ranges of specialists must assist him in controlling it. He is not working with two or three apprentices; he must organize into a producing unit hundreds and even thousands of specialized workers. He has no simple relationships with the rest of society; his market is nation-wide or even world-wide, and a complex marketing structure must be utilized. His financial administration must be largely in terms of the financial structure of society. Naturally, as our society is organized, he works largely in terms of the gain spirit. He works for his own gain, but we must not forget that he is society's agent. Often he is a most unsatisfactory agent and often society exercises faulty control of him, but he is none the less an agent, assigned to the task of getting men to work together. For this, and for this only, he needs his lieutenants—and among them he needs the personnel manager. The personnel manager who cannot see his task in such perspective lacks vision and understanding. He is a routine worker who ought, in the interests of all, to be demoted before he damages the delicate mechanisms of production.

I trust I have not unduly tried your patience with this account of what is involved in getting men to work together under the conditions of modern industry. Sometimes the obvious must be called to our attention just because its being obvious and commonplace tempts us to neglect its importance. The air which surrounds us is one of the commonplaces of life. In normal situations we never think of it. But if we are temporarily deprived of it, if it becomes foul, or if there blows a gale, the problems connected with our use of air become evident. So also with modern specialization. It is the veriest commonplace of our industrial life. When it works smoothly we seldom think of it. But if it becomes hard to carry out, if it fouls in operation, if industrial unrest blows a gale, we quickly see that specialization has two aspects. The first of these is differentiation, or division of tasks, out of which comes increased power of production. But this alone accomplishes nothing. There must go with this division of tasks a welding together, or unification, so that the increased productive power may be effectively applied. Specialists must be knitted together; *men must be brought to work together* both as parts of a plant and as parts of society. A portion of the responsibility for accomplishing this falls to the lot of the personnel manager.

## II

*Society is vitally concerned in having men work together effectively. The causes of unsatisfactory output reach down through our whole producing structure. The competent personnel manager will determine the conditions precedent and prerequisite to satisfactory output and will administer personnel technique in terms of realizing these conditions.*

The events of recent years have brought out into clear relief the fact that it is important to have men work together effectively, that output, abundant, well-balanced output, is of vital interest to society. Now this is not a new truth. Output always has been and always will be essential to the onward march of society; output, not solely of material goods like shoes and potatoes, but also of services such as those of the artist or

the physician; output directed not alone to the gratification of what we call, loosely enough, our material wants, but directed as well to the development of all the finer qualities of heart and mind. Output is important to the progress of society as a whole. Properly controlled, it is important to the progress of every class of society.

In our present feverish industrial condition it is not surprising that we hear threatening mouthings and bitter denunciations directed against those alleged to be responsible for our present inadequate output. The situation is bad—worse than usual; but it has always been bad enough and the responsibility, now, as always, is widespread.

Part of this responsibility rests upon labor with its feelings of enmity toward capital, its suspicions and fears and distrust, its lack of initiative, its mental laziness, its lack of vision concerning the real issues of the case, its limitation of output, its occasional surrender to poor leadership. So also part of the responsibility rests upon capital and management with their feeling of enmity toward labor, their suspicions and fears and distrusts, their lack of initiative, their mental laziness, their lack of vision concerning the real issues of the case, their limitation of output, their occasional surrender to poor leadership. As between the two parties, the greater responsibility rests with capital and management, for after all, they have held the directing power. It was their function to make researches into the problem; to plan effective organization; to develop appropriate incentives; to serve society as responsible stewards.

And, unfortunately, part of the responsibility rests with our whole modern organization of society. In our impersonal knitting together of specialists, it is easy for distrust and fear and suspicion to arise; easy for each party to believe that it contributes more to the common weal and receives less return than does the other party; easy for beliefs to solidify into prejudices. We have done little to combat these prejudices. We have done little to instruct the modern specialists concerning their place and duties in society. There is almost no such



instruction on how our society is put together in our public-school system, which is our main reliance in such matters. As for instruction within the walls of industry, foreman-training courses are mainly courses in production technique, and other courses which deal with more than production technique are in their infancy. We have hardly made a beginning of getting men *to see how* they work together, and surely this vision must precede their working together effectively.

Then, too, the organization of our society upon a competitive, gain-spirit basis, valuable in the main, leads to short-sighted policies and to confusion of issues. It is not infrequently true that gains to individuals flow from limitation of output and from other acts harmful to society. It is not infrequently true that short-sighted quest for gain leads to disregard of long-run human values. These seem to be penalties attached to our pecuniary organization of society. True, they are penalties which can be lightened or even abolished by effective social control, but we have, not unnaturally, developed a healthy suspicion of the effectiveness of our instruments of social control. Too commonly, social attitudes are manufactured; too commonly, supervision is stupid, negligent, or even harmful; too commonly, public service is prostituted to private gain.

There is always a mournful interest in attempting to decide which is blacker, the pot or the kettle, but that alone is a futile performance. Our survey of the responsibility for inadequate output was undertaken, not to place blame, but to see, in perspective, the task of the personnel manager who realizes that his function is that of aiding in getting men to work together *effectively*. He must understand the causes of inadequate output. He must set himself to the determination of the conditions of good output and then to the realization of those conditions, so far as in him lies.

There are, of course, many possible ways of stating the conditions precedent and prerequisite to good output, and they obviously vary from case to case. Assuming as a type case a manufacturing and selling business, I submit the following tentative formulation of these conditions. There should be:

1. Good physical location and good physical plant and equipment, both from the point of view of mechanical processes and from the point of view of their relationship to the workers.

2. Good "human machines" both physically and mentally. This, of course, includes necessary training, and it applies to management as truly as to workers.

3. Good development of "the will to do" in these human machines—which makes them far more than machines.

4. Good organization and administration or control or effective bringing together of persons and the things with which persons work.

5. Good social environment, including in that term, not merely social attitudes and government, but also all economic and social institutions—the church, the school, the place of amusement, the trade union, the banking system, and a legion of others, with which the manager must work.

Such a commonplace statement, drawn from the point of view of the general manager, may be of service to the personnel man if he but wills it so. It indicates, not only the general nature of his task, but also specific problems at which he may, with good strategy, direct his efforts. Stated another way, the work of the personnel manager, who is to be more than a routine technician, may be put in these terms:

1. He must first visualize his objective—that of getting men to work together effectively.

2. He must formulate the conditions precedent to arriving at that objective, as for example, the five conditions just mentioned.

3. He must decide upon the technical devices, ranging from ventilation to methods of wage payment, which will assist in bringing these conditions into being.

4. He must (a) formulate and (b) set up his organization, doing so, not merely in terms of his own work, but also in terms of the work of the other lieutenants of the business.

5. He must administer his organization with vision, with understanding of the character of his contribution to the great social task of getting men to work together effectively.

## III

*Sound incentives must be used to bring men to work together effectively. Here, the personnel manager must know more than a list of technical devices. He must appreciate the whole setting of the relationship of incentive to output, both historically and psychologically, if he is really to unlock the "will to do."*

The preceding statement of the work of the personnel manager shows that he is concerned with a range of tasks; that his relationship to the "will to do" is but one of his relationships. There is a strong temptation to turn aside to discuss these various relationships but, after all, they are not complex, once the problem has been seen as a whole, and I may not, in this paper, paint in more background than is needed for a discussion of incentives for men to work together effectively.

It would be simple, and as futile as it is simple, to make lists of the various kinds of incentives available for modern industry—financial, non-financial, direct, indirect, present, deferred, and all the rest of them—and then make corresponding lists of the technical devices, which could be utilized in calling these incentives into operation. But it is the spirit, not technical devices, that giveth life. A veritable master of technique could readily make motivation in modern industry a hissing and a by-word if he did not see his task in terms of the whole social and industrial situation. Good technique is important, I am by no means scornful of it, but just now I am concerned with getting a sense of perspective concerning its use.

It will aid in getting this perspective to see the stages through which "incentive and output" have passed in the history of Western industrialism. For convenience in discussion I shall speak of three stages: first, *the stage of simple industry*, beginning in the medieval period and extending to the time of the industrial revolution, that is to say to the latter part of the eighteenth century; second, *the transitional stage*, comprising the first hundred years or first phase of the industrial revolution; and third, *the current stage*, covering the last generation or two of our history which is sometimes called the second phase of the Industrial Revolution.

Our earlier picture of the stage of simple industry, where two or three apprentices worked for the master and where an established procedure drawn on the basis of time spent and achievement provided for promotion from apprentice to journeyman and from journeyman to master, provides a setting for an appreciation of the application of incentives in that simple society.

It was easy and natural for the worker of that time to develop a pride in workmanship—easy for him to gratify his “creative instinct.” He owned and cared for the tools with which he worked and had an owning craftsman’s pride in those tools. He owned the product, or at the very least had intimate personal relationships with the owner, and there was accordingly both pride of ownership and a direct visible connection between the amount of output and the amount of reward. He worked through various stages of production in an intimate way so that he saw his work actually developing under his hands and could feel that he was expressing his personality through his product. The product was typically disposed of to friends and acquaintances so that reputation and standing in the community attached to his workmanship. He saw an almost automatic method of rising to the direction of industry so that hope and expectation and realization were closely connected if indeed they were not one. His position in society was certain and readily understood. And finally custom’s firm grip upon his mind kept him free from soul-torturing questionings concerning his status. The picture had its darker side as well. Mental horizons were narrow; mental furniture was meager and bare. The brighter side is here presented not to portray a state to which we could tolerate return, but to give us a comparative basis for the study of present-day incentives.

What we have called the transitional stage (running, let us say, from 1750 to 1860 or 1880) began with the Industrial Revolution, a term that connotes modern specialized, impersonal, large-scale, technological industry. For generations prior to the opening of this transitional stage the market had been widening, the demand for output had been growing. Partly as a result of

this enlarging market there came forth the power-driven machine and a tremendous increase of productive capacity. But this increased productive capacity did not sate the market. Oddly enough the market expanded still more rapidly, so rapidly indeed that it outran production. In part, this was due to the influence of machine industry itself, as expressed in the steamship, the railroad, and later the telegraph and the telephone in enlarging the area of the market. In part, it was due to the fact that this transitional period marked the opening up of great stretches of the world to the use of man—South America, Africa, Australia, and our own Middle West, the greatest consuming market the world has ever known. In part it was due to the most rapid increase of population the world has known, a population, too, with an ever-rising standard of consumption.

For all these reasons the transitional period (1750-1880) is marked by an ever-increasing hunger for output, *for output at almost any cost*, and, as always, our industrial structure was adjusted to the situation. It so happened that the deliberate and conscious part of that adjustment was worked out largely on the technological side as contrasted with the personnel side of industry. The reasons for this are easy to see. The results of an improvement in processing were visible and tangible and the manager could measure the gain at once in dollars, whereas attention to personnel meant results far less tangible and measurable. Moreover, the sciences, basic to improvement in technology had had considerable development whereas the social sciences basic to personnel work are of a later time. Again, except for the period culminating in the ephemeral organizations of 1835 and 1836, labor was docile and not inclined to force attention to the terms and conditions attached to its contribution to productivity. It is not surprising therefore that in this transitional period the hunger for output led to the development of schools of technology, such as schools of engineering, mining, agriculture, and to the establishment of the so-called private business colleges concerned with the clerical techniques of administration such as bookkeeping, penmanship and stenography, rather than to the study of intelligent handling of personnel.

But this does not mean that industrial and social forces affecting personnel had been inoperative. Without management being aware of it, tremendous changes had occurred, changes whose consequences were to be felt most seriously in the later period. In general terms, through default of real attention to the problem, wage had been allowed to become the chief, almost the sole, incentive for the worker. Pride in workmanship and ability to gratify the creative instinct had waned. No longer owning the instruments of work, he no longer had a craftsman's pride in them, and shortsighted management provided no substitutes. No longer owning the product, he no longer had a pride of ownership and except for the piece worker (and we know how the piece worker fared in rate cutting) the connection between output and reward was not close. Working now mainly in detailed specialized operations and no longer working with simple tools, he could not see the work developing under his hands and could not feel that he was expressing his personality through his product. No longer disposing of his product in a personal way to a local group, his community standing became that of an impersonal factory hand. No longer in a simple society where his status was largely fixed by custom and where he saw without reflection his contribution to social weal, his pride of responsible position was weakened, and neither management nor society saw the wisdom of restoring it. Of all the incentives of the earlier period, wage and wage alone grew in importance, and it is, speaking accurately, a technical device rather than an incentive.

And, unfortunately (unfortunately because the experience gives a false sense of accomplishment and security to many present-day managers) wage, as the prime incentive, seemed to secure satisfactory results. This was only in the seeming. The truth is that the mental attitudes of masses of people changed but slowly under the conditions of that time. The traditions of simple industry still ruled. Men still had pride in work. There still clung to men's minds the individualistic theory of abundant opportunity to rise, a theory nourished by the existence of the frontier and by rapidly expanding industry. Furthermore,

although the grip of custom on men's minds had been loosened, its place had been taken by a natural-rights or natural-order philosophy which induced an optimistic outlook upon the workings of competitive industrialism. The transitional period was one of increased output, not because wage was an entirely satisfactory incentive, but because the loss of conditions which provided other incentives had not been fully realized. Social attitudes had not kept pace with rapidly changing industry.

And now we come to the current phase of the history of output and incentive—the period of the last two generations. Gradually the relationship between productive capacity and the absorbing capacity of the market shifted. Partly because of the great productive gains flowing from improved technology in an industrial régime in which incentive, though greatly changed, had not yet materially weakened; partly because of a checking of the rate of increase of population; partly because the new regions of the world were becoming fairly well exploited, the rate of increase of productive capacity began to outrun the rate of increase of the market. The time is not difficult to locate historically. It was heralded by a series of events. Since markets must be eagerly searched for, the “orthodox” system of distribution—manufacturers to wholesaler to retailer to consumer—which was so satisfactory when the market was seeking the producer had its hold challenged by devices aimed at enabling the producer to strengthen his grip upon the consumer, and the “commercial revolution,” with its mail-order houses, its national advertising, its chain stores, and its direct selling, is now upon us. The trust movement, aimed partly at economies of production but primarily at control of distribution, came into being. The scientific management movement sought lower costs of production through increased and better application of technology to industry, through increased specialization in management, through better location of individual responsibility and through better methods of wage payment (notice the implication that all was not well with the wage incentive). Nations drifted into imperialism and finally into war in the struggle for markets.

In this hurly-burly of changing industrial conditions one thing stands out clearly for our purposes. The tightening of markets did not mean that the producer could reduce his output. On the contrary, because of large-scale production and the presence of enormous overhead costs, he sought means of increasing his output, but it was now imperative that this output should be *at decreased cost*. The present temporary condition in which output at any cost is again fashionable ought not deceive us. Waving aside temporary fluctuations, we are in that stage of modern industrialism in which attention must be given to costs. The day of scientific management, cost accounting, careful purchasing, scientific location, and sales stimulation is not over. It has not even reached its noon.

The developments in the field of incentives paralleling this new attention to output have been striking. I do not refer particularly to the spectacular happenings of the last few years, for these spectacular events are really not as full of meaning for us as the homely happenings which preceded them. The chaotic conditions resulting from the Great War must not be allowed to obscure our view of the general movement of modern industrialism, if we are to have a cool judgment concerning which of these present conditions are flowing with the current and which are eddies and cross-currents.

As much as forty years ago there had clearly emerged, for those who cared to see, a strong suspicion shared by both workers and management that all was not well with wage as a sole incentive. Towne and Taylor, who sensed many things ahead of their time, saw the situation. It is no accident that one of Taylor's early contributions concerned itself with methods of wage payment and that he *sought*, at least, a wage which was "psychologically correct." Others in the management group saw it also, but few so clearly. In a bewildered, trial-and-error way they tinkered with other devices—with profit sharing, with welfare work, with this and that miscellaneous practice—and their tinkering was a confession of the inadequacy of the wage incentive acting alone or largely alone. The "will to do" that



meant increased output at lowered cost of production was not present among the workers.

And this might have been expected. The spectacular events, for example, the trust movement and the passing of the frontier, which marked the coming in of our current stage of industrialism sank into the minds of the workers as a warning that the day of automatic and easy rise to responsible positions had really passed. There came to them a realization of what the forces of the Industrial Revolution had, unguided, wrought. And they were not minded to acquiesce, for belief in a beneficent "natural order" of things had yielded, thanks to the influence of Darwin, to an evolutionary philosophy which demanded improvement and it yielded the more readily because many happenings had, as we have seen, engendered distrust, suspicion, and fear. In default of intelligent action by either management or society, the workers turned naturally and properly to a device of their own with which they had long experimented—the union. That their earlier, and indeed their present, demands were formulated in terms of the gain spirit which seemed to them the characteristic thing in industry, that they sought and still do seek more wages, and more and more, deceives no one who watches other than surface indications. Wage alone will not bring contentment in such an impersonal specialized society as ours. Wage alone cannot bring men to work together effectively. It, unaided, will not remove sourness, suspicion, and hostility. Powerful as it is, valuable as it is when wisely used, it must be linked with forces making for pride of workmanship, interest in work, knowledge of worth-whileness to society, security of economic and social position, and sense of responsibility, before we shall unlock those vast resources of human energy which now lie dormant because we have not given thought to the fashioning of keys which will free "the will to do."

Let us not deceive ourselves concerning the significance of this "will to do." It involves no mere unthinking performance of "an honest day's work," whatever that may mean. It implies the calling forth of those latent powers which emerge in the joy of doing, and doing understandingly—in the joy of intelli-

gent service. The magnitude of those latent powers we cannot even guess, though hints have been given each of us in our own experiences, and the sense of waste is appalling when we reflect that such powers grow by utilization. Perhaps, both inside and outside the factory, we are not now realizing on one-quarter of the human resources which would be called into being if men worked together understandingly with a real "will to do"—perhaps not one-tenth, perhaps not one-twentieth. Who knows? We merely know that the waste is enormous.

Let us not deceive ourselves, either, concerning the difficulties involved in calling forth this will to do. Generations of sour distrust must be lived down and that cannot happen until the sources of distrust have been removed. Even after the sources of distrust have been removed, there must yet come *understanding*, and this involves both knowledge and appreciation of the place of industry and of specialists in social progress. Not only are the difficulties great, but co-operation in solving them will come grudgingly. The prevailing attitude of hard-headed management is doubtful, if not frankly antagonistic, toward such an enterprise. The prevailing indifference of society at large (witness the lack, in our elementary and secondary-school systems, of studies leading to an understanding of our social relationships) bodes ill for effective co-operation by society, notwithstanding the present hectic interest in "Americanization." The prevailing attitude of the worker, one of indifference tempered with distrust and hostility, means much cultivation before even seeds can be sown. Nevertheless, the game is worth the candle. Even if he can make but a few staggering steps toward the ultimate goal, the personnel manager must keep it before him. Men must be brought to work together effectively, and full effectiveness can come only with the will to do. Administration of incentives must be in terms of that outstanding fact.

#### IV

*Personnel work has consisted too largely of unco-ordinated miscellaneous practices. If the work were conceived more in terms of large business and social objectives, it would be performed with*

*greater sense of proportion and perspective, with better co-ordination with the rest of the producing mechanism, with more humility and open-mindedness, and with greater promise of future usefulness.*

If you will allow me to put to one side a handful of honorable exceptions it is well within the limits of truth to say that our leaders of industry have not yet seen the situation as a unified whole. The handling of personnel is a welter of miscellaneous practices—some of them excellent; some of them quackery; all of them needing to be sorted and the good ones knitted into a coherent system (or systems) with objectives clearly defined. Let me recall to your minds a list of terms: profit sharing, vestibule school, home ownership, bonus plans, pension system, suggestion system, lunch rooms, sanitation, transfer, promotion, Americanization, foremen's training, safety, health, protection, community activities, apprentice school, fatigue elimination, shop committees, employee's representation, plant paper, stock ownership, attendance records, restrooms. As you well know, this is the veriest beginning of the practices of the day. Now let me ask you in how many plants any or all of these devices have been introduced as parts of a coherent, well-matured, fully co-ordinated, long-run plan? How many plants have weighed the relative worth of the various devices in terms of their contribution to some large constructive program?

It is the contention of this paper that the time has arrived when it is possible to do more than make hectic gestures in the direction of piece-meal solutions. Personnel policies should knit together personnel practices. Organization charts of personnel administration should either be drawn in terms of purposes, or should be accompanied by a statement of purposes, so that no one can mistake form for spirit. An objective must be set; the conditions of attaining that objective must be visualized; personnel practices must be judged, introduced, rejected, modified, co-ordinated, with the objective ever in mind. I have ventured to state the objective as that of getting men to work together effectively both in terms of their work inside a plant and in terms of the co-ordination of our whole social machine. To relieve such an objective of vagueness as a guide for individual

action, I have ventured to outline the conditions precedent to such effective working together, using as my illustrative case an ordinary manufacturing and selling business. I submit that personnel work can be administered as a coherent whole, in an understanding way, only in terms of some such statement, though I hold no brief for this particular formulation.

Let us assume the adoption of some such point of view and then reflect upon its consequences.

In the first place, personnel work ceases to be a congeries of unco-ordinated, miscellaneous labor practices. A unifying thread—indeed, it is sadly needed backbone—is present with a resultant tremendous increase in effectiveness. The gain is not confined to the mere articulation of personnel work. This articulated agency has before it a straight road to travel; it no longer flounders about the fields. This means that the progress of personnel work in a business becomes measurable; achievements can be set over against expenditures in a somewhat definite way. Furthermore, since there is a road to travel, it becomes possible to tell when personnel work is “off the road.” In other words, a sense of balance and proportion is attained. One can even picture a personnel manager who is not frantically absorbed in calculations of the waxing and waning of the American Federation of Labor; who is not gulled by the latest fad in employee representation, profit sharing, or other mere mechanisms and devices; who has a vision reaching beyond the ephemeral happenings of today to solid, long-run achievements. But these things will not take place until miscellaneous labor practices have yielded to definite labor policies.

In the second place, a clear light is thrown on the position of personnel work in the business organization. Although in relative importance it ranks second to none of the functions of business management, clearly it does not stand by itself. It is, on the contrary, a pervasive, interweaving part of our whole social productive scheme, both within and without the factory walls. The manager of personnel exists to help men to work together effectively. His job is not one of antagonism to production nor one of thwarting production officials. He ought to strengthen,

not cripple, the orthodox line functionaries. He cannot, in foolish pride of position, build up "his organization" to undermine the powers and responsibilities of others; rather he must conceive of the entire organization of the plant as "his organization," directed ever toward effective co-operation. Not infrequently his best results follow upon apparent self-effacement, the self-effacement of the competent man with a sure understanding of the tasks of those with whom he co-operates and with a serene awareness that his strength in the councils of the firm grows in direct proportion to his contribution to the strength of others. This point has added significance in these days of industrial instability. In not a few cases the personnel manager, seeking for the empty symbols of power, has chosen a course of action tending to discredit the line officials. The result has been added instability, and ultimate discrediting of the value of personnel work. This could hardly have happened if the personnel manager had seen his task in true perspective and had possessed pride in opportunity rather than pride of position.

And there is a third point. The conception of the personnel manager's task as one directed at the objective of getting men to work together effectively and as one which can be worked out in terms of definite conditions of abundant output in a given plant, leads on to an awareness of how little we really know concerning those conditions. In other words, the research activities of personnel work are today quite as important as the administrative activities. It is not necessary to review each of the conditions of abundant output in order to reveal our ignorance. Few will require evidence to convince that we have made the merest beginnings of scientific knowledge concerning good physical location, good physical plant and equipment, good human machines, both mentally and physically, good "will to do," good organization and administration, good social environment. It so happens that our knowledge is particularly limited in the field with which this discussion is largely concerned—the development of a good "will to do," but in all these fields there lies challenge to our keenest thought.

To begin with, we *know* very little concerning the psychological nature of man in terms of the effectiveness of various incentives. True, there are frequent oracular utterances on this subject by successful business men—utterances which seem, upon analysis, to “carry” primarily because of the dollars behind them. There is also some preliminary work which has been done in the field of instincts, but the well-poised psychologists of today will tell us that the deeps of human motivation are still uncharted.

Furthermore, our knowledge is equally limited with respect to the appropriate use of technical devices, designed to call the will to do into being. Wage is generally regarded as the main device, but what do we really know about methods of wage payment? We know that the various methods are worked out in terms of a basic rate, but what is the *right* basic rate—right in terms of calling forth the will to do? Is it the current rate in the community? Suppose the current rate is not sufficient to shelter, clothe, and nourish the worker to the point where he is a good physical machine; will it not pay both society and the manager to lift that current rate to a physical efficiency basis? And what is a physical efficiency basis? When it is attained, may it not pay society and the manager to go beyond it if that calls forth the will to do? What is the current rate of wages, anyhow, but a resultant of social forces, some of which are woefully inefficient, not to say positively harmful? But perhaps the right wage is a function of the manager's costs. What does the average manager know about his costs and especially about the causes and conditions lying back of those costs? Even when he does know, does what he can afford to pay give any conclusive finding with respect to what he ought to pay to call forth the will to do? But perhaps the right wage is a function of a good standard of living. At the best, would this do more than guide to the right minimum wage? And what is a good standard of living? Does it mean a good standard for a single worker, or for a family of three, or of five, or of fifteen? And what does “good standard” mean anyway? We shall do well to admit that we are in the stage of elementary thinking

concerning wage payment as a constructive force in industry. Neither our economists, nor our psychologists, nor our uplifters, nor our hard-headed business men have solved the problem. Barely have they stated it.

What is true of wage payment is equally true of the other technical devices for developing the will to do. Most of them are in the experimental stage and there they are likely, with minor improvements, to remain until more progress has been made in our understanding of the psychological nature of man. What is true in the field of the will to do is almost equally true in the other fields connected with abundant output. We are in the merest beginnings of exact knowledge of such matters and research is a vital necessity.

The existence of this organization, the Industrial Relations Association of America, and the interest attaching to its activities are signs of the times. They indicate a change of emphasis. The great importance of the technological processes of industry is still recognized. But there is to be, in addition, an increased attention to the human side of industry. It was made inevitable by the development of the social sciences, by the spread of an evolutionary democratic philosophy, by the growth of general education, by the rise of a new spirit among the workers, and by the necessity of lower costs in industry. In response to these developments there has appeared in industry a new functionary, the personnel manager. The duties which have been sketched as falling to his lot are not duties appropriately bestowed upon a weakling or upon a clerk whose soul has no aspirations beyond blanks, forms, and boot-licking. They are the duties of a full-grown man who sees that his position is at the strategic point of industry, since persons enter into all processes, and who accordingly realizes that he, more than any other lieutenant in industry, must contribute to *all* the conditions precedent to abundant output. They are duties calling for a kind of administrative vision which may almost be called statesmanlike, for they are closely connected with the welfare of all society. The greatest challenge of the day is before the manager of personnel. May he measure up to his opportunities!

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